

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1860 - SB 1932

April 1, 2011

SUMMARY OF BILL: Requires health insurance entities to establish both internal and external grievance and appeals processes to permit review of coverage and payment determinations. Places health maintenance organizations (HMOs) under the same statutory prompt payment standards as other health insurance entities and removes HMOs from damages provisions that entitles a policyholder enhanced damages of the cost of the liability plus 25 percent the costs of the liability when failure to promptly pay claims was determined by a court to be an act of bad faith on the part of the HMO. The bill shall take effect January 1, 2012.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Local Expenditures – Not Significant

Increase Federal Expenditures – Not Significant

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation would not result in a significant increase in the cost of health insurance premiums.

Assumptions:

- According to the Department of Commerce and Insurance, any additional administrative or enforcement requirements incurred will not significantly change the current regulatory, administrative, or enforcement activities of the Department.
- According to the Department of Finance and Administration, grievance procedures similar to those in the proposed legislation were included in the Patient Protection and Affordable Care Act. That requirement became effective January 2011.
- The state sponsored public sector plans currently maintain internal and external grievance processes operated by an internal review organization that meet the requirements of the bill.
- Local governments that offer health insurance coverage for employees that is not through the state sponsored public sector plans will have the required grievance procedures in place and will not incur a significant increase in expenditures.

- It is assumed that any revisions to the current grievance procedures offered by TennCare's contracted insurance carriers will not result in a significant increase to state or federal expenditures.
- It is assumed that the changes to the provisions mandating damages for failure of an HMO to promptly pay claims will not result in a significant change to the amount of damages awarded to a policyholder by a TennCare contracted entity.
- Private health insurance impact: The proposed changes in grievance procedures and changes to the statutory provisions regarding the amount of damages to be awarded for failure to promptly pay claims will not result in costs sufficient enough to significantly increase premium rates.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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